

# Cost of Living, Salaries, Consumption and the Situation of the Italian Middle Classes

by

GUGLIELMO TAGLIACARNE

## I

1. *The increase in living costs in Italy* (1). — During the first years of the war it was possible to keep the cost of living within reasonable limits, but towards the end of the conflict prices began to soar rapidly and after the armistice they increased even more rapidly. In fact, by the end of 1943 the index of the cost of living was  $4\frac{1}{2}$  times that of the pre-war, at the end of the following year it had risen to 12 times the pre-war, by the end of 1945 it was up to 25 times, and at the end of 1946 the index was 39 times that of the period preceding the conflict. Now (index of May 1947), prices are 50 times the 1938 level. This means that the lira has lost 98 % of its 1938 buying power: today one has to spend 100 lire to buy what in 1938 cost only 2 lire.

Not all the prices of the various items that go to make up a family budget have increased to the same extent. The cost of food has increased 67 times, of clothing 69 times, of heat and light 22 times, while sundry expenses have increased 24 times. Rents, however, were as of May 1947 only  $2\frac{1}{2}$  times those of 1938. To realize the smallness of the increase in rents com-

pared to the increase in other prices and costs, a simple example will suffice: in 1938 the monthly rent of a working family for an apartment in Milan was equal in value to 26 lbs of butter; today it is equal in value to  $2\frac{1}{3}$  lbs.

If total consumption had remained unchanged in both quantity and quality compared to 1938, the different increases in the prices of the various items of the family budget would have increased the percentage of the budget going for food, raising it from 51 % (average for 1938) to 67 % (May 1947) of the total expenses in the budget. This means that, while in 1938 expenses for food absorbed little more than half of the total amount spent by a working family, today two thirds of all family expenditures would be required to make the same purchases. Clothing expenses, from requiring 17 % (1938) of the total expenditures, would now (May 1947) require 26 %. The part going for rent, which had been approximately equal to that fixed for clothing, i.e., 16 % of the total, appears to have fallen to a negligible consideration, to less than 1 % of the total (2).

Expenses for food, however, have absorbed much more than the above mentioned quota of 67 %. As was pointed out, this percentage is based on the hypothesis that total consumption in both quantity and quality has remained the same as before the war. But actually, the sharp drop in incomes did not allow the population to maintain the pre-war standard of living; it was forced to make sacrifices

(1) In Italy various series of index numbers are being calculated to express the cost of living, with results that differ notably one from another. This is due not only to the different methods employed in the calculations but to the irregularity of business transactions and the difficulty in obtaining reliable statistical reports especially because of the many products and articles bought on the black market. The data referred to in this text are based on an average of three indices obtained from the following three sources: 1) Economic Service of the Montecatini Co., Milan, 2) Technical Committee of the Edison Group, Milan, 3) National Index of the Central Institute of Statistics, Rome.

(2) These figures are based on the cost of living indices drawn up by the Edison Group.

with consequent restrictions in its habitual consumption.

Obviously, reductions can be made more easily in the sectors least indispensable, while it is especially impossible to reduce in any great measure the consumption of foodstuffs. This was the case in Italy where food consumption was already quite low even before the war. Expenditures for food today therefore demand not 67% but at least 75% of the total expenses included in the family budget. Clothing expenses have decreased to the point where they now probably absorb not more than 15%, far less than the above-mentioned 26% required had the 1938 consumption been maintained.

2. *The increase in public service costs and taxes.* — It is interesting to examine the changes in the cost of the most important public services and certain articles and products as compared to the price changes of food and clothing. The indices of some of these items are as follows:

REPRESENTATIVE COSTS, MAY 1947 - MILAN OR ROME  
(1938 cost = 1)

Gas for cooking - Milan . . . . .	15
Electricity for lighting (with meter) - Milan . . . . .	7
Water - Rome . . . . .	4
Daily newspaper . . . . .	33
Subscription for radio broadcasts . . . . .	12
Doctors' fees - Milan . . . . .	20
Postage stamps . . . . .	12
Railroad fare (3rd class, 100 kilometers) . . . . .	8
Trolley fare (non-holiday) - Milan . . . . .	14
Taxi fare - Rome . . . . .	35
Haircut - Rome . . . . .	15
Public telephone . . . . .	10
Movies - Rome . . . . .	20
Theatre - Rome . . . . .	10
Tobacco (controlled price) . . . . .	14
Direct taxes . . . . .	8
Average expenses for food . . . . .	67
Average expenses for clothing . . . . .	69
Over-all cost of living . . . . .	50

Sources: Technical Committee of the Edison Group; UNRRA; Central Institute of Statistics.

It is readily seen that the increases in service prices are much smaller than those in prices of food, clothing, and the over-all cost of living.

3. *Official prices and black market prices.* — Though the Government fixes official prices for a large number of rationed items, in practice large additional quantities of these items are sold at much higher prices. These are the so-called black market or clandestine market prices — though there is very little that is clandestine about them, since they are quoted in newspapers and even in the official publications of the Bank of Italy and the Central Institute of Statistics.

The following examples for a group of food products which are consumed on a large scale in Italy give an idea of the difference existing between the two prices:

COMPARISON OF OFFICIAL AND "BLACK MARKET"  
RETAIL PRICES

Rome, May-June 1947

	In lire per kilogram	
	Official	"Black Market"
Bread . . . . .	34	195
Pasta (spaghetti, etc.) . . . . .	53	278
Rice . . . . .	65	242
Bacon . . . . .	510	950
Olive oil . . . . .	355	838
Sugar . . . . .	165	813
Maize flour . . . . .	27	70

Source: *Rivista del Commercio*, 1947, No. 3.

4. *Prices based on caloric values.* — It is also interesting to examine the prices of food products in terms of their caloric values. Prices vary greatly according to the type of food from which we obtain the calories necessary for existence. From this point of view one can divide food products into low-priced and luxury foods, the first category including cereals, the second including especially meat. Butter also is relatively expensive as compared to olive oil, which can be used in its place.

COST OF 1,000 CALORIES OF VARIOUS FOODSTUFFS

Black market, Rome - June 1947 - In lire -

Wheat flour . . . . .	52.24
Maize flour . . . . .	19.14
Home-made bread . . . . .	71.32
Pasta . . . . .	73.57
Rice . . . . .	68.70
Beans . . . . .	60.00
Lentils . . . . .	56.46
Bacon . . . . .	107.32
Butter . . . . .	130.37
Olive oil . . . . .	92.96
Sugar . . . . .	198.17
Meat . . . . .	1000.00

Source: Calculated by the author on the basis of the caloric values of these products as estimated by the Institute of Nutrition of the National-Research Council (Rome).

A diet consisting of only "polenta" (a pudding made with maize flour) would be anything but healthy since polenta does not contain all the nutrition elements necessary to the human body; but apart from this one could say that 57.24 lire a day (800 grams of maize flour) would suffice to give an active man the 3,000 calories indispensable to him (expenses for cooking and salt should be added).

For similar reasons a diet of meat alone is no more advisable than one of only "polenta". Furthermore, it is expensive indeed. A diet consisting exclusively of meat would mean a daily expense of 3,000 lire to provide the 3,000 calories required by an active man. In other words, a meat diet is 52 times as expensive a diet of "polenta".

The poor ignore the scientific principles which guide the dietician and they have no use for numerical data such as those cited above. But in practice, led by instinct and experience, they apply the precepts contained in those figures. They eat polenta, rice, bread, and pasta; they choose oil instead of butter; and they leave to the rich the meat and other food items which are "dear" in proportion to their caloric value.

5. *Comparison between the First and Second World Wars.* — A comparison between prices after this war and those after the First

World War can be drawn by examining the indices of the cost of living in Milan; let us begin for the First World War with January 1919 and for the Second with July 1945.

Immediately after the end of the first conflict the indices of the cost of living decreased and by July 1919 they were down 23%. Later, prices began to rise so that by December 1919, one year after the end of the war, the cost of living was back to its January 1918 level.

In this second post-war period prices have followed a somewhat different pattern. Principally, there was no time following the conflict during which prices actually dropped; instead, there has been a continuous increase, an increase which was moderate during the first post-war year but which subsequently turned into a situation in which prices soared rapidly.

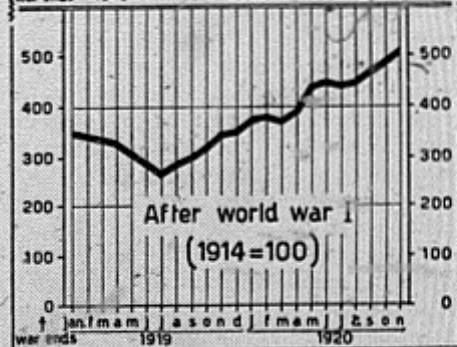
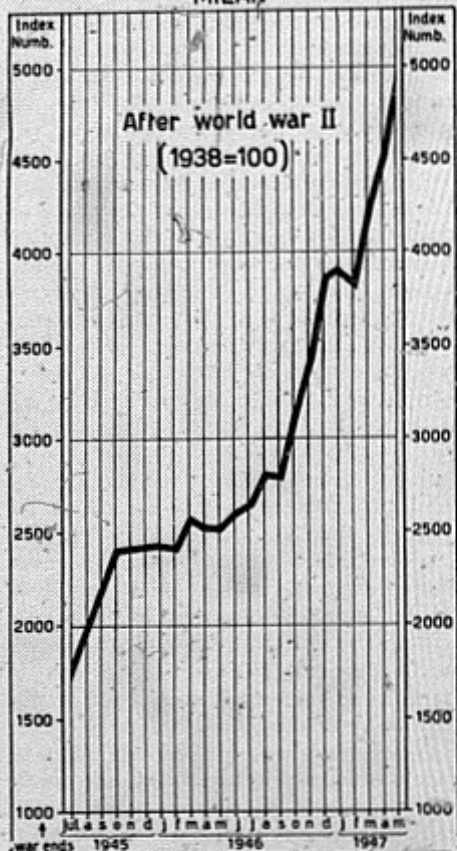
In both the first and second post-war periods the most serious increases in the cost of living started in the second year after the end of hostilities. The cost of living after the First World War reached its highest peak during the months of April and May 1921, 30 months after the end of the war. If in the present post-war period prices follow the same time development, we may expect the present upward movement to continue at least until October 1947. Subsequently, if the parallel with the first war aftermath continues, we will witness a gradual decrease. This decrease in the index of the cost of living began in the third year after the end of the fighting during the first post-war period. Obviously, this comparison between prices then and now can be presented as only indicative since there appears to be no valid reason for believing that prices during the two post-war periods should necessarily follow the same pattern.

The greatest difference in conduct of prices during the two periods is to be found in the extent of their increases. One year after the end of World War I the index of the cost of living was only 3 1/2 times that of 1914, whereas one year after the end of the second world conflict prices had already increased 26 times; two years after the end of the first war the level of the cost of living was up 5 times while after the second war prices multiplied 50 times; the increase in prices during the second period



has been 10 times that which took place in the first period.

**INCREASE IN THE COST OF LIVING IN THE TWO POST-WAR PERIODS MILAN**



**INDICES OF THE COST OF LIVING IN MILAN**

World War I (1914 = 100) *		World War II (1938 = 100) **	
1919 January	353	1945 July	1802
April	331	October	2415
July	271	1946 January	2433
August	288	February	2429
September	302	March	2586
October	323	April	2536
November	348	May	2529
December	352	June	2609
1920 January	378	July	2652
February	382	August	2817
March	374	September	2804
April	392	October	3123
May	438	November	3430
June	448	December	3868
July	441	1947 January	3919
August	449	February	3842
September	470	March	4245
October	489	April	4513
November	511	May	4930
December	534		
1921 January	571		
February	566		
March	568		
April	578		
May	578		
June	506		
July	494		

\* Source: *Annuario storico-statistico* of the Municipality of Milan.

\*\* Source: Economic Service of the Montecatini Co.

Let us extend our comparison to the various items included in a family budget. Two years after the end of each world war the various items of a family budget were represented by the following numerical indices:

	First World War December 1920 (1914 = 100) *	Second World War May 1947 (1938 = 100) **
Food	535	6682
Clothing	782	6932
Rent	139	251
Heat and light	886	2228
Sundry expenses	604	2438

\* Source: As above.

\*\* Source: Average of three indices, Montecatini Co., Edison Group, and Central Institute of Statistics (3).

(3) In the preceding data only the indices drawn up by the Montecatini Co. were used because those of the Edison Group and the Central Institute of Statistics begin at a more recent date.

If we compare the above figures we can see that also after the First World War the price of clothing increased more than that of food. Rents suffered by far the smallest increases, in the second as well as the first post-war period.

But an appreciable difference is observed in heating and lighting expense. In the period following World War I the cost of these services increased more than that of any other item, while in the present post-war period their increase has been curbed by the price control authorities, who were very adverse to granting increases either in the cost of gas or of electric current.

The item "sundry expenses", because of its heterogeneous character, is of less interest to our survey.

II

6. *The reduction in the purchasing power of wages.* — As was to be expected, wages also tended to increase in an effort to keep pace with the rise in prices and cost of living. The problem of major interest is whether the increase in wages was equal to that in prices and the cost of living or whether it was higher or lower.

The first step in this study is to compare the rise in wages with that in the cost of living. In the course of this survey we shall find that the situation differs for the various categories of wage-earners and we shall have to distinguish between the various cases, limiting ourselves, however, to typical examples so that we shall not lose ourselves in a long accounting examining all professions and the hierarchy of categories.

For the comparison which we are about to make we shall adopt as our base the average of the three indices of the cost of living which we have used before; according to this base the cost of living in May 1947 was about 50 times that of 1938.

As of this month the wages of an unskilled laborer, instead of the 50-fold increase required to keep pace with the increase in the

cost of living, had increased only 36 times; the wages of a skilled workman increased 26 times, the salary of a 2nd class employee 19 times, of a 1st class technical 13 times, and of an executive 12 times. (Source: Economic Service of the Montecatini Co.)

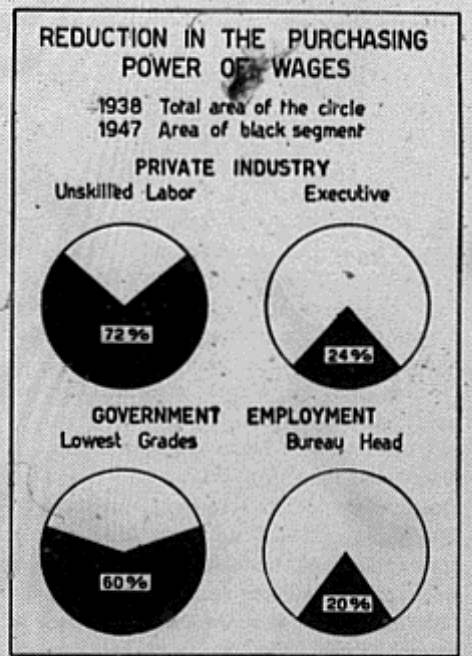
Some important observations are immediately obvious:

a) the increase in the cost of living has been greater than the increase in wages;

b) this divergence becomes greater as one moves up the scale from the grade of unskilled to those of skilled labor, salaried personnel, and finally executive class;

c) the percentage increase in the wages of unskilled laborers has been three times that of executives;

d) while in 1938 the salary of a 2nd class employee was three times that of a laborer, and that of an executive seven times as high, in June 1947 an executive's salary was but 2.9 times that of a laborer. This means that bet-



ween the salary of an executive and that of a laborer there was not even the differential which existed pre-war between the salary of a 2nd class employee and that of a laborer. (Source: Economic Service of the Montecatini Co.);

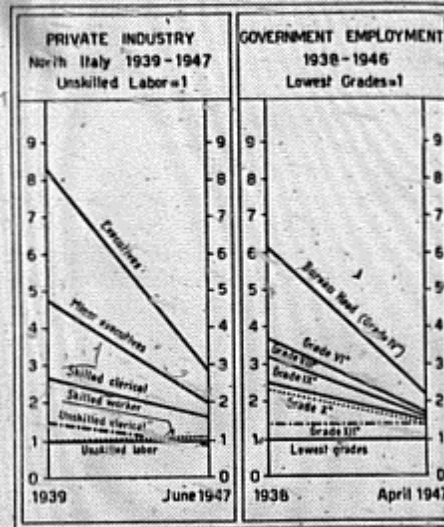
e) real wages, i.e., wages in terms of their purchasing power, have decreased, compared with 1938, 24% for unskilled labor, 46% for skilled, 60% for 2nd class employees, 70% for technical 1st class employees, and 72% for executives.

While, therefore, the unskilled laborer has succeeded in keeping his standard of living from being very greatly reduced, the same cannot be said of workmen and office-workers in the higher categories. It is true that the latter received a salary which then was much higher than that of a laborer and today still have a salary which is little less than three times that of a laborer; from the point of view of the bare necessities of life they are still able to maintain a level of living which differentiates them from the laborer. But the phenomena resulting from this notable shrinking of economic distances continue to be far-reaching and resultant of consequences of the greatest importance.

The above-mentioned trend in wages paid by private firms is even more marked for state and public service employees. In 1938 the salary of a university professor was six times that of a porter at the university; today it is only twice as high. A department head of the Bank of Italy in 1938 enjoyed a salary about 8 times that of the janitor; by the end of 1946 it was only 1 1/2 times as high.

This "fan" of wages, moderately spread out before the war, has been contracting more and more with the worsening inflationary situation and the rise in the cost of living till it threatens to close completely. The statistical data here mentioned are but a small sample, representative of conditions being experienced in all grades and sectors of economic activity and are evidence of a law that shows itself as general in character.

### CONTRACTION OF THE "FAN" OF WAGES 1938-1947



#### 7. Effects of the equalizing of wages.

The trend toward equalizing of wages among the various grades of labor has resulted in a real displacement of the middle and intellectual classes. Already the effects of this phenomenon can be seen, effects partially favourable and partially unfavourable.

National income, it will be remembered, has decreased 35-40% as compared to 1938. Even then it was certainly not high. If this decrease had been uniformly distributed among all classes, leaving unchanged the differentials existing when national income was much higher, the conditions of the lowest categories of workers would quickly have fallen below the starvation level, and their health, resistance, and capacity for work would have suffered greatly with serious consequences for the whole of society. Instead, the leveling of salaries suffered by the upper incomes, thus bringing their living conditions closer to those of the more modest classes, was not, in general, drastic enough to undermine their health or their working powers. From this point of view no sensible damage is felt by society, while under the first case the consequences would have been far-reaching and serious.

As a result of the equalizing of wages, consumption becomes modified at the expense of luxury goods or at least of those goods which are of less universal demand, being directed instead to those more common and standardized goods that are manufactured at a lower cost. Thus, as is necessary in times of low incomes and increasing poverty, the production of articles socially less useful is discouraged while that of articles beneficial to society is encouraged. In other words, more household utensils are manufactured and less perfume, more bicycles and fewer automobiles, more shoes and less jewelry, etc. In saying this it is not intended to express an unfavourable opinion on certain so-called luxury products; these can also be useful, especially when they utilize otherwise unemployed raw materials available in the country (marble, essences for perfumes) or the artistic capacities of its workers, with a resultant general benefit to the nation as a whole; above all this is true when there is a possibility of exporting such products.

Another effect of the equalizing trend will be that the numbers in the intellectual classes will tend to decrease, partly because their years of preparation are not being recompensed and partly because they lack the means for continuing their studies and for dedicating the years necessary to the training for a profession. This effect will be favourable, up to a certain point, if it succeeds in limiting the number of candidates for university and classical studies or the number attracted by bureaucratic careers, civil service jobs, and professions, all of which today are so over-crowded.

The worsening of the living conditions of the middle classes (which include white collar workers, the large majority of the independent professionals, artisans, merchants, small and medium land-owners) as a result of the drastic reduction of real incomes has forced the heads of families to resort to the supplementary work of members of their families, of wives and daughters, previously occupied with household duties, of young sons, interrupting their studies in order to gain another contributor to the family income. In this way a large number of people who from the point of view

of their census status was considered as idle (although neither socially nor economically is this true since as members of the family they do useful work at home) join the ranks of the employables. This in part explains the large increase in unemployment in Italy, which has now reached the 2 1/4 million mark, but little less than the number in the United States, whose population is three times that of Italy with a working population of more than 60 millions.

This situation also has its repercussions on the relations between state employees and the State, on the quantity and quality of the work of the employees and consequently on the complex problem of bureaucracy. State and public service employees receive salaries which are inadequate in terms of either the cost of living or their social standards. As a result they take on positions hostile to or in contradiction with the authority of the State; unsatisfied elements, their disaffection to their duties and their office increases as they are often forced to accept supplementary work in their spare time (state employees in Italy generally work until 2 PM).

The lowering of real wages to the level of that of the most modest and most unskilled worker cannot but have a harmful effect on the sense of hierarchical discipline between the various grades of workers, between those who follow orders, those who control the work done, those who direct, and those who give the orders; between the digger, the bricklayer, and the engineer. It is evident that remuneration is an external and concrete measure of the differentiation of tasks, training, capacity and responsibility connected with the various grades and functions. When this mechanism of differentials ceases to function, or functions inadequately, the efficiency of the workers, interconnected as they are in classifications and duties, cannot but suffer the effects. The self-respect and sense of authority of those who hold the higher posts are diminished by a comparison which humiliates them. On the other hand, those who hold more modest jobs feel less strongly the stimulus to immediate sacrifice, to perfect their studies, to



concentrate all energies on getting a better job when the latter is not adequately compensated.

Finally, one must consider the effect of this wage equalization trend on the accumulation of savings. It is well-known that in normal times the middle classes are the largest contributors to the various forms of savings and therefore supply a large part of the funds which eventually, through banks, etc., find their way into productive activity in industry and commerce. The grave economic situation in which these classes now find themselves certainly do not allow them to continue these habits. On the other hand the more favored categories of workers have not yet acquired these savings habits. Proof of this will be seen in the statistics on consumption of certain products which will be examined in the following chapter.

It should also be pointed out that in times such as those we are examining, characterized by rapid inflation and an even more rapid increase in prices, saving habits are certainly not encouraged; much less can these habits be expected of social classes and categories of workers less accustomed to this virtue. It is clear that the devaluation of currency encourages people to buy even the most unnecessary items and to spend their money on tobacco, movies, etc., since they feel the futility of making sacrifices, of renouncing something which can be enjoyed now for savings which steadily lose their real value.

### III

8. *Availability of food.* — Following the exceptionally poor 1945 harvest in cereals and other agricultural products, the situation in 1946 improved notably allowing, with the help of a substantial UNRRA contribution, a moderate increase in food consumption. Italy's dependence on foreign countries for food had been gradually decreasing before the war; from 16% in 1922 (79 kilograms per person) it had been reduced to 3.3% (19 kilos per person) in 1938 without any reduction in the total amount of food available for consumption,

which in those years amounted to 570 kilos of food products per person (4).

In 1946 the amount of imported food products totalled 1,793,073 quintals, equal to 39 kilos per inhabitant (exactly double the amount imported in 1938) which means that in 1946 Italy brought in 9% of her food from abroad.

Despite the fact that the percent of foodstuffs imported had increased over the pre-war period, the quantity of food available to each inhabitant diminished. In the 1933-38 period their diet contained nutritive elements yielding 2500 calories daily while in 1945-46, even with increased importation, they received only 1520 calories. In 1946-47 the calories availability received a substantial boost and, although definite figures for that year are not yet available, it can be estimated that the average per capita calories intake increased to more than 2000.

But although it has increased in the last year, the average diet in Italy is still 20% below the pre-war level. What makes matters worse is the fact that its nutrition value has become poorer since it is largely composed of foodstuffs of vegetable origin. In fact, in the years 1933-38, 78% of the Italian diet was of vegetable origin and 22% of animal; in 1945-46 animal products had fallen to 17% (5); in 1946-47 it was probably up to 20%.

9. *Rationing.* — Confirmation of the improved availability of foodstuffs in 1946, especially after the good harvest of that year, came with the increase in rations obtainable by ration card. From a total of 747 calories per day per normal consumer in the first quarter of 1946, ration availabilities climbed to 958 in the last quarter of that year. That this increase was not of an entirely seasonal nature is shown by the fact that in the first months of 1947 there was a substantial increase over the preceding year. The rations distributed by ration card during the first five

(4) See G. TAGLIACAMBI, *Le vie di rifornimento dell'Italia* (The Supply Roads of Italy), Roma, 1940 - Confederazione dei Commercianti.

(5) UNRRA, Italian Mission, *Survey on Italy's Economy*, 1946.

months of the current year had to be reduced because of the shortage of wheat supplies, but despite this they furnished 851 calories per day as against 729 for the corresponding period of 1946 (6).

The average daily ration distributed by ration card in 1946 contained a total of 839 calories, about one-third of the normal consumption on the basis of pre-war averages. The ration for the first five months of 1947, consisting of 851 calories, satisfied no more than 40% of the total reduced food consumption. The other 60% of food needs were being met by products bought on the free market (non-rationed products) or on the black market (rationed products).

Bread, a fundamental element in the Italian diet, supplies 73% of the total caloric value assured through the ration card. And yet the bread ration is only 235 grams daily per capita, which is the lowest of any country in Europe. Moreover, one must not overlook the fact that bread in Italy is made with flour of 85% extraction and sometimes mixed with cereals of even poorer quality. Several months ago this ration was further reduced to 200 grams, the other 35 grams being replaced with distributions of maize flour.

Products used for making soup (pasta, rice, legumes, flour) contribute 17% of the caloric value distributed by ration card; fats represent only 5%, sugar 4%, and meat is insignificant (average 1946).

AVERAGE DAILY CALORIC VALUE OF RATIONS DISTRIBUTED IN 8 CITIES - FOR NORMAL CONSUMER

	Bread	Soup products, legumes	Fats, meat, milk products	Sugar	Total
Average of first 5 months, 1946	563	98	47	21	729
Average of first 5 months, 1947	571	186	54	40	851

Source: Data from the Central Institute of Statistics. Our calculation for the average of the eight cities.

10. *Meat consumption.* — Statistics of taxes on meat sales and on animal slaughter give us an idea of the changes that took place in the

(6) These figures are an average for 8 principal cities. They include only rations distributed to 'normal' adult and exclude the supplementary rations given to children, old persons, and laborers doing heavy work.

consumption of meat in 1946 as compared to the pre-war period. According to our calculations using the data of the above-mentioned sources, meat consumption decreased from 31.10 kilos per capita in 1938 to 22.78 in 1946, a drop of 27%. The most important decreases were in the consumption of veal and pork, the most expensive types of meats, while there has instead been a strong increase in the consumption of horse meat. The lowering of quality level shows up clearly in the following table in the comparison of the percentages:

COMPOSITION OF MEAT CONSUMPTION

	1938		1946	
	Kilos per capita	% of total	Kilos per capita	% of total
Veal	10.42	33.51	6.48	28.45
Other bee	12.56	40.38	9.36	41.09
Pork	5.56	17.88	3.30	14.49
Poultry	2.18	7.01	2.04	8.95
Horse	0.38	1.22	1.60	7.02
	31.10	100.00	22.78	100.00

Note: These figures are based on sales taxes on meat; figures for 1946 are for the first half year multiplied by two.

11. *Tobacco consumption.* — The reduction in the consumption of cereals, meats, and food in general has been imposed by the shortage of these products; it will be interesting to examine now the trend in the consumption of other products and luxury expenditures.

An important index is tobacco. Per capita consumption decreased from 653 grams in 1938 to 547 grams in 1946, but it is now increasing appreciably month by month, and during the first three months of 1947 it had surpassed the pre-war level. In fact, during these first three months it was 673 grams per capita



as compared to 494 grams during the corresponding period of 1938.

These statistics are the official ones. It must be pointed out that, as every one knows, besides the national tobacco, which is controlled by a State monopoly and rationed, there is a flourishing black market in foreign tobacco. Although there is no way of calculating the amount thus sold, it is certain that it is sufficient to bring today's per capita tobacco consumption to a level at least 50% higher than before the war.

It is also to be noted that proportionally there has been an increase in the consumption of high quality tobacco (cigarettes) at the expense of chewing tobacco and cigars.

12. *Expenses for amusements.* — An analogous trend has been taking place in expenditure for theatres, movies, and gambling. The latter has reached such large proportions in the post-war period as to surpass the combined total spent on theatres and sport events. But the largest share of the expenses for amusement still go to the movies, which in 1946 absorbed three-fourths of the total spent by the Italian population on entertainment as compared to 71% in 1938. For this type of entertainment the population of Rome in 1946 spent an average of 1,150 lire per capita to see 21 pictures. For all of Italy it has been calculated that each Italian in 1946 went to the movies or the theater about 12 times as compared to 10 times in 1938.

The figures for the first months of 1947, though not yet definitely known, indicate a continuous increase not only in expenditures, which is largely due to the increase in the prices of tickets, but in the number of performances attended.

The increase in tobacco consumption and in amusement expenses over 1938, in contrast with the decrease in food and clothing consumption, is a phenomenon which has also taken place in other countries. The British "White Book", for example, reports that tobacco consumption in England during 1946 was from 30 to 35% higher than in the pre-war period, and that amusement expenses, corrected for the increase in the price of tickets,

were 50% greater than in 1938. Yet food and clothing consumption had meanwhile decreased as a result of rationing.

### 13. *The displacement of the middle classes.*

— Although an increase in certain luxury expenditures is shown in the two preceding chapters, one must not get the impression that this demonstrates an improvement in the general level of living. This type of increase in expenses is explained rather by changes in the relative positions of the various social classes of the population and by changes in customs and habits.

Every war, with the inflation and social upheavals that follow in its wake, creates classes which are particularly favoured by the events. In general these classes are composed of enterprisers, and in particular of persons who deal in military supplies and in items which are especially in demand, such as food, durable goods, etc. At the top of this large group of persons favoured by the events of the war and the post-war inflation, one finds numerous profiteers and speculators, taking advantage of the shortages, of the disorganization of the markets, of the large number of government restrictions, and especially of the slackening of authority on the part of "authorities" who have neither the means nor the strength necessary for enforcing their orders, now multiplied beyond measure. These categories of get-rich-quick people do not have the habit or the ability of saving; indeed, such habits are contrary to the very psychological climate in which speculation and easy money thrive. These are the groups that help increase the consumption of luxuries. Other social groups which have been unaffected or affected only slightly by the drop in real incomes (farmers and certain classes of workmen) also contribute to this increase.

In contrast to this, the vast middle classes, which in Italy are estimated to 10 million persons (20% of the population) suffered much from the drop in their incomes, which remained far below the increase in prices and cost of living.

Special surveys (7) on the condition of these classes in the post-war period indicated the

(7) See for example, the survey presented by Prof. Ugo

great sacrifices undergone, meanwhile, in keeping with their traditional spirit, tenaciously resisting the fate of total class destruction, fighting desperately to hold on to their self-respect, their culture, and the way of life which even under adverse conditions distinguishes them from the other strata of the population. They fell back on savings accumulated through long years of sacrifices; sold objects of art, jewels, furniture; they pared all superfluous expenditures from their budget; lowered their standards of consumption, replacing meat with vegetables, veal with horse meat; they smoked pipe tobacco instead of cigarettes, rode third class instead of second, etc.; the maximum economy was exercised in clothing expenses, continually repairing and adapting old clothing to new fashion demands; and finally they were forced to send the "idle" members of the family out to look for gainful occupations.

With the gradual bettering of the economic situation it may be expected that the income of these classes will slowly regain its favourable differential and that the individuals themselves will return to their normal position in society with all their qualities and functions as the balancing element. Already some steps in this direction have been taken. An agreement was recently reached between the Confederation of Industrialists and the General Confederation of Labor to attempt to correct the too drastic equalizing of categories which had taken place as a result of successive indiscriminate increases in salaries.

Also in France, where wage differentials are particularly notable even among state employees, and where a strong leveling trend in wages had developed immediately following the war, there is a movement to the return to pre-war distances between grade and grade. In 1939 the ratio in salary between a temporary low grade clerk and a bureau head was 1 to 7.3; in July 1946 it had dropped to 1 to 4.5; but in January 1947 some of the ground lost had been regained and it was up to 1 to 5.9 (8).

Giusti at the meeting held in April 1947 by the Italian Society for Demography and Statistics.

(8) Bulletin de la Statistique Générale de la France, April 1947.

In Switzerland also and especially in England the differentials are great. Nor are things much different in Soviet Russia, though for other reasons. There also one meets with great differences between the salaries paid to various grades and categories of work. A publication issued in Paris by the "Institut d'Etude de l'Economie Soviétique", taking as 1 the salary of an unskilled Russian workman, states that a draftsman earns from 3 to 6, a junior engineer from 6 to 15, the manager of a small factory 10, the manager of an important factory 10 to 20, and the manager of a large enterprise 25 to 50 (9).

The reasons for such great differences in compensation in Russia, are probably those of any country which economically and technically is not far advanced, as, to take another example, India, where with an enormous mass of non-qualified workers they lament the scarcity of technical and specialized elements. This contrast is even more evident in the present phase of rapidly developing industrialization which in India, and even more so in Russia, has created a tremendous demand for college graduates, scientists, chemists, engineers, mechanics, building constructors, managers, technicians, etc.

These, as is known, are the categories of workers which many countries — France, Belgium, Czechoslovakia, South America — are anxious to obtain from Italy. If the present equalizing of salaries is not a mere passing phenomenon and it indicates a basic and permanent excess of high grade workers, this proposal from abroad should receive the most favourable consideration. But it is our conviction, as we mentioned before, that this phenomenon we have surveyed is a passing one, the result of a rapid inflation and of the sharp cut in the national income, a phenomenon, therefore necessary under the present exigencies but destined to return to the normal differentiations of the pre-war period as soon as the lira is stabilized, industrial development resumes its course, and national wealth increases.

(9) Cahiers de l'Economie Soviétique, No. 1, January-March 1946.